

CALIFORNIA STATE TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

Subject:	Credit Enhancement Program- Activity Status Report	Item Number: <u>11</u>
		Attachment(s): <u>2</u>

Action:	<u> </u>	Date of Meeting:	<u>July 7, 1999</u>
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Information:	<u>X</u>	Presenters:	<u>Mr. Rose</u>
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EXECUTIVE SUMMARY

CalSTRS recently closed on the following transactions: Evergreen Manufacturing Inc. for \$2.5 million and Inland Valley Development Authority for \$47.4 million. A \$3.2 million transaction for the City of Fontana Redevelopment Agency and an \$11 million transaction supporting New United Motors Manufacturing Inc. (NUMMI) are scheduled to close in late June. CalSTRS will provide confirming letters-of-credit on all of the proceeding transactions. The Kern High School District transaction is also expected to close in late June. The total commitment will be for \$30 million. CalSTRS will have a direct risk of \$7.5 million (25% of the \$30 million transaction).

Evergreen Manufacturing, NUMMI, and the City of Fontana were previously reported transactions. The Inland Valley Development Authority (IVDA) is a redevelopment project area formed by the cities of San Bernardino, Colton and Loma Linda, and the County of San Bernardino in 1990 in response to the Federal Government's closure of Norton Air Base. The bonds were issued in 1997. CalSTRS and its partner bank will be replacing the existing credit enhancement. This will provide the issuance with a AAA rating, thereby providing a lower interest rate to the issuer. As will be described below, CalSTRS will be confirming two banks in this transaction. CalSTRS will also be providing a confirming direct pay letter-of-credit to support an existing transaction that was issued in 1993 for Merrill's Packaging Inc. of Burlingame. CalSTRS will replace another financial institution. The financial strength of CalSTRS will provide Merrill's Packaging with a lower interest rate in the market place. The Kern High School transaction is now expected to close in early July 1999. The \$30 million bond will be issued through the Golden Empire Schools Financing Authority.

1. Merrill's Packaging Inc. Burlingame, CA

CalSTRS will be providing a \$2 million confirming letter of credit in support of Merrill's Packaging. The original bonds were issued in 1993, and CalSTRS is stepping in to provide its support of the transaction in the capital markets. The development bonds were issued through the California Statewide Community Development Authority (CSCDA). The purpose of the project was to use bond proceeds to purchase 2.0 acres and renovate a 58,825 square foot facility that is now used by Merrill's Packaging, Inc. Approximately 50 new jobs were created. The total cost of the project

was \$3.4 million. The company manufactures thermoformed plastic containers and packaging materials. The company's major customers are medical device manufacturers, electronic device manufacturers, computer manufacturers, and food processors.

2. Inland Valley Development Authority (IVDA), San Bernadino, CA

The Inland Valley Development Authority is a redevelopment project area formed by the cities of San Bernardino, Colton and Loma Linda, and the County of San Bernardino in 1990 in response to the Federal Government's closure of the Norton Air Force Base. The prime purpose of the Authority is to provide funding to 1) acquire the Air Base and facilitate its successful reuse; 2) ensure that adequate access exists to and from the major transportation systems and the Air Base; and 3) promote economic development within the surrounding area.

The IVDA has all the powers of a redevelopment agency, including the power to adopt redevelopment project areas, incur indebtedness, issue bonds, purchase and sell property and undertake redevelopment activities. The IVDA uses tax increment financing as its source of funds for financing activities. The financing is for \$47.4 million. This financing will replace the original financing which took place in 1997. CalSTRS will be providing a confirming letter of credit supporting a California Bank. To support the size of the transaction, the primary bank will participate out \$18 million of the transaction. This means that for \$18 million (38%) of the transaction, CalSTRS will have two banks in a first loss position.

3. Kern High School District, Kern County

The \$30 million lease revenue bond transaction for the Kern High School District (District) is expected to close in July. Canadian Imperial Bank of Commerce (CIBC) and CalSTRS were selected to provide a \$30 million Letter of Credit (LOC) to support the issuance of the lease revenue bonds. The bonds will be issued by the Golden Empire Schools Financing Authority (Authority) to fund capital projects for the Kern High School District.

The District is located in Bakersfield within Kern County. This will be a 3-year commitment. CalSTRS will participate in 25% of this transaction or approximately \$7.5 million.

The District has a Moody's credit rating of A. In addition to the lease payments from the District, the Bonds/LOC will be a general obligation of the Authority. The Authority has a cash balance of over \$48 million. The District maintains property and casualty insurance of \$60 million, as well as rental interruption insurance.

The Authority was established as a joint powers agency under the laws of California. The Authority members are Kern High School District and Taft Union High School District. The Authority was formed for the primary purpose of financing facilities and equipment for school districts in Kern County. The individuals acting as Board of Trustees for the district also act as the Board of Directors of the Authority.

CalSTRS CREDIT ENHANCEMENT PROGRAM

PROGRAM SUMMARY AS OF JUNE 4, 1999

Attachment 1

Item 11

Transactions	Type	Closing Date	End of Commitment	STRS Commitment	Interest	Total Commitment	Fiscal 1998 - 99 Fee Income	Fee Income To Date
DIRECT RISK								
Port of Long Beach	Liquidity	Jun-94	Feb-00	\$75,000,000	\$0	\$75,000,000	\$103,961	\$250,972
Bridge - Richmond Townhomes	Expired. Redeemed as of Feb-97.							\$15,096
USA Waste Industries	Credit	Nov-94	Nov-99	\$9,764,121	\$0	\$9,764,121	\$76,960	\$257,859
Sanifill, Inc.	Expired. Redeemed as of Jan-98.			\$0	\$0	\$0	\$43,809	\$87,618
San Diego Unified Port District (20)	Credit	Oct-97	Oct-02	\$35,000,000	\$1,365,243	\$36,365,243	\$13,079	\$38,332
San Diego Unified Port District (21)	Credit	Oct-97	Oct-02	\$15,000,000	\$585,104	\$15,585,104	\$21,731	\$34,483
Pasadena Parking Authority	Credit	Jan-98	Jan-03	\$9,000,000	\$693,750	\$9,693,750	\$30,666	\$35,935
Pasadena Rosebowl (22)	Credit	Jun-98	Jun-01	\$15,600,000	\$276,956	\$15,876,956	\$33,001	\$33,001
CHFA 1998 Series M	Credit	Apr-99	Jul-01	\$9,125,000	\$707,188	\$9,832,188	\$0	\$0
CHFA 1998 Series P	Credit	Apr-99	Jul-01	\$5,000,000	\$387,500	\$5,387,500	\$0	\$0
CHFA 1998 Series T	Credit	Apr-99	Jul-01	\$25,000,000	\$1,937,500	\$26,937,500	\$0	\$0
SUBTOTAL				\$198,489,121	\$5,953,240	\$204,442,361	\$323,207	\$753,297
DIRECT RISK - SECURED								
Buck Research on Aging	Credit	Dec-96	Dec-99	\$27,500,000	\$397,808	\$27,897,808	\$184,862	\$461,141
BOND INSURED								
Adventist West	Credit	Feb-98	Feb-05	\$114,500,000	\$1,693,973	\$116,193,973	\$137,315	\$185,499
DIRECT PAY LETTERS OF CREDIT								
Pt. Loma College	Expired. Redeemed as of Nov-98.			\$0	\$0	\$0	\$69,260	\$360,334
City of Visalia (California)	Credit	Sep-96	Sep-01	\$3,385,000	\$70,111	\$3,455,111	\$22,528	\$54,604
LA Fairplex	Credit	Jul-97	Jul-01	\$17,680,000	\$689,643	\$18,369,643	\$51,997	\$163,340
Master-Halco Series 1986-II	Credit	Nov-98	Nov-01	\$1,900,000	\$39,978	\$1,939,978	\$1,000	\$1,000
TransAmerica Series 1986-V	Credit	Nov-98	Nov-01	\$1,050,000	\$22,093	\$1,072,093	\$1,000	\$1,000
CSCDA - IDB's								
Series 1994B								
Propak of California	Credit	Nov-94	Nov-01	\$2,720,000	\$60,809	\$2,780,809	\$4,770	\$49,946
J. Michelle/Edie Lee	Credit	Nov-94	Nov-01	\$2,000,000	\$44,712	\$2,044,712	\$4,362	\$51,969
Pasco Scientific	Credit	Dec-94	Dec-01	\$2,295,000	\$51,307	\$2,346,307	\$4,826	\$50,862
American River Packaging	Credit	Dec-94	Dec-01	\$1,725,000	\$38,564	\$1,763,564	\$3,649	\$32,660
Lance Camper Manuf.	Credit	Dec-94	Dec-01	\$3,225,000	\$72,099	\$3,297,099	\$6,623	\$62,649

CSCDA - IDB's
Series 1989-90

CalSTRS CREDIT ENHANCEMENT PROGRAM

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Transactions	Type	Closing Date	End of Commitment	STRS Commitment	Interest	Total Commitment	Fiscal 1998 - 99 Fee Income	Fee Income To Date
Intermountain Trading	Credit	Feb-95	Feb-02	\$290,000	\$6,483	\$296,483	\$1,504	\$8,731
Andercraft Products	Credit	Feb-95	Feb-02	\$775,000	\$17,326	\$792,326	\$4,413	\$27,319
Sunclipse, Inc. (Alhambra)	Credit	Feb-95	Feb-02	\$3,200,000	\$71,540	\$3,271,540	\$9,223	\$49,975
Sunclipse, Inc. (Union City)	Credit	Feb-95	Feb-02	\$2,135,000	\$47,730	\$2,182,730	\$6,333	\$36,761
Busseto Foods, Inc. (Rapelli of CA)	Credit	Mar-95	Mar-02	\$2,500,000	\$55,890	\$2,555,890	\$7,324	\$39,398
AHNNN, Inc.	Expired. Redeemed as of Sept-97.			\$0	\$0	\$0	\$0	\$9,416
Zarn, Inc.	Credit	Mar-95	Feb-02	\$610,000	\$13,637	\$623,637	\$3,148	\$22,777
Marcel & Marge Schurman	Expired. Redeemed as of June 2, 1			\$0	\$0	\$0	\$0	\$29,903
Charles & Loralie Harris	Credit	Mar-95	Feb-02	\$2,310,000	\$51,643	\$2,361,643	\$7,499	\$39,837
American Zettler	Credit	Mar-95	Mar-02	\$1,975,000	\$44,153	\$2,019,153	\$6,165	\$30,463
Aqua Serv Engineering	Credit	Mar-95	Mar-02	\$1,300,000	\$29,063	\$1,329,063	\$7,481	\$39,960
Contech Engineering Prod.	Credit	Mar-95	Mar-02	\$1,200,000	\$26,827	\$1,226,827	\$3,831	\$21,109
Evapco, Inc.	Credit	Mar-95	Mar-02	\$450,000	\$10,060	\$460,060	\$1,539	\$8,830
Florestone Products Co.	Credit	Mar-95	Mar-02	\$1,345,000	\$30,069	\$1,375,069	\$4,276	\$24,333
Grundfos Pumps Company	Credit	Mar-95	Mar-02	\$6,000,000	\$134,137	\$6,134,137	\$16,504	\$78,175
Instrument Specialities Co.	Credit	Mar-95	Mar-02	\$625,000	\$13,973	\$638,973	\$2,066	\$13,020
McCain Citrus	Credit	Mar-95	Mar-02	\$3,000,000	\$67,068	\$3,067,068	\$7,167	\$34,682
Mc Elroy Metal Mills, Inc.	Credit	Mar-95	Mar-02	\$220,000	\$4,918	\$224,918	\$1,495	\$12,030
NRI, Inc.	Credit	Mar-95	Mar-02	\$1,425,000	\$31,858	\$1,456,858	\$4,305	\$22,346
W & H Voortman, Inc.	Credit	Mar-95	Mar-02	\$2,400,000	\$53,655	\$2,453,655	\$5,937	\$30,418
Image Laboratories, Inc.	Expired. Redeemed as of Dec-96.			\$0	\$0	\$0	\$0	\$26,854
Allwire, Inc.	Credit	Mar-95	Mar-02	\$300,000	\$6,707	\$306,707	\$1,891	\$9,993
Fairway Molds, Inc.	Credit	Mar-95	Mar-02	\$600,000	\$13,414	\$613,414	\$3,935	\$21,753
S & P Investments	Credit	Mar-95	Mar-02	\$1,165,000	\$26,045	\$1,191,045	\$4,289	\$23,327
Northwest Pipe & Casing	Credit	Apr-95	Apr-02	\$2,750,000	\$61,479	\$2,811,479	\$9,241	\$52,011
Reliance Upholstery	Expired. Redeemed as of Oct-98.			\$0	\$0	\$0	\$906	\$9,261
Zieman Manufacturing	Credit	Apr-95	Apr-02	\$385,000	\$8,607	\$393,607	\$2,240	\$11,275
CSCDA - IDB's								
Series 1995A								
Carvin Corporation	Credit	Jun-95	Aug-01	\$2,040,000	\$45,607	\$2,085,607	\$9,292	\$42,349
Leegin Creative Leather Prod.	Expired. Redeemed as of Dec-97.			\$0	\$0	\$0	\$0	\$19,469
Kennerley-Spratling	Credit	Jun-95	Aug-01	\$2,470,000	\$55,220	\$2,525,220	\$11,315	\$50,924
Vantage Properties	Credit	Jun-95	Aug-01	\$1,470,000	\$32,864	\$1,502,864	\$6,867	\$29,231
BNG Properties, LLC	Expired. Redeemed as of Aug-96.			\$0	\$0	\$0	\$0	\$12,253
Staub Metals, Inc.	Credit	Aug-95	Aug-01	\$1,020,000	\$22,803	\$1,042,803	\$5,136	\$24,523
Aerostar Partners, Inc.	Credit	Sep-95	Sep-01	\$4,095,000	\$91,548	\$4,186,548	\$12,566	\$63,268
Walker Spring and Stamping Cor	Credit	Sep-95	Sep-01	\$3,400,000	\$76,011	\$3,476,011	\$10,085	\$50,889
Encore Video, Inc.	Expired. Redeemed as of Oct-98.			\$0	\$0	\$0	\$1,353	\$11,691
EuroDesign Cabinets, Inc.	Credit	Sep-95	Sep-01	\$905,000	\$20,232	\$925,232	\$3,178	\$16,810
South Bay Circuits, Inc.	Credit	Sep-95	Sep-01	\$1,800,000	\$40,241	\$1,840,241	\$5,615	\$28,815
W & H Voortman, Inc.	Credit	Sep-95	Sep-01	\$1,020,000	\$22,803	\$1,042,803	\$3,444	\$16,724
Red Line Oil Co.	Credit	Nov-95	Nov-01	\$1,035,000	\$23,139	\$1,058,139	\$2,500	\$18,376
Johansen Dielectics	Credit	Nov-95	Nov-01	\$1,950,000	\$43,595	\$1,993,595	\$4,470	\$37,358
Peet's Coffee	Credit	Dec-95	Dec-01	\$2,620,000	\$58,573	\$2,678,573	\$5,892	\$43,000
Safariland	Credit	Sep-96	Sep-01	\$3,700,000	\$76,636	\$3,776,636	\$2,684	\$22,528
Control Air Conditioning	Credit	Jun-97	Jun-01	\$4,500,000	\$81,370	\$4,581,370	\$15,741	\$50,725

CalSTRS CREDIT ENHANCEMENT PROGRAM

PROGRAM SUMMARY AS OF JUNE 4, 1999

Attachment 1

Item 11

Transactions	Type	Closing Date	End of Commitment	STRS Commitment	Interest	Total Commitment	Fiscal 1998 - 99 Fee Income	Fee Income To Date
CSCDA - IDB Series 1996M Cordeiro Vault Co., Inc.	Credit	Dec-96	Dec-01	\$1,070,000	\$23,921	\$1,093,921	\$4,473	\$14,864
CSCDA - IDB Series 1996M Fibrebond West, Inc.	Credit	Dec-96	Dec-01	\$5,410,000	\$120,947	\$5,530,947	\$20,155	\$76,078
SUBTOTAL				\$111,445,000	\$2,751,110	\$114,196,110	\$417,494	\$2,192,197

CalSTRS CREDIT ENHANCEMENT PROGRAM
PROGRAM SUMMARY AS OF JUNE 4, 1999

Attachment 1
Item 11

Transactions	Type	Closing Date	End of Commitment	STRS Commitment	Interest	Total Commitment	Fiscal 1998 - 99 Fee Income	Fee Income To Date
CONFIRMING LETTERS OF CREDIT								
Confirmation #1 Suncreek Apts.	Credit	Apr-96	Apr-02	\$6,800,000	\$78,247	\$6,878,247	\$25,964	\$128,200
Confirmation #2 CMIG LLC	Terminated as of August 28, 1998.			\$0	\$0	\$0	\$2,153	\$5,514
Confirmation #3 Monrovia Redevelopment Agency	Credit	Jan-98	Jan-02	\$8,600,000	\$229,727	\$8,829,727	\$17,694	\$37,388
Confirmation #4 & #5 First Class Foods / Alliance	Credit	Apr-98	Apr-03	\$3,750,000	\$55,479	\$3,805,479	\$5,708	\$5,708
Confirmation #6 Western Saw	Credit	Jun-98	Jun-03	\$3,600,000	\$53,260	\$3,653,260	\$5,561	\$11,041
Confirmation #7 St. Vincent de Paul	Credit	May-99	May-02	\$7,485,000	\$110,737	\$7,595,737	\$15,603	\$15,603
Confirmation #8 Delta Tau Data Systems	Credit	Aug-98	Aug-01	\$5,800,000	\$85,808	\$5,885,808	\$20,761	\$20,761
Confirmation #9 Dix Metals	Credit	Sep-98	Sep-01	\$5,560,000	\$82,258	\$5,642,258	\$14,231	\$14,231
Confirmations #10 & #11 City of Fillmore	Credit	Sep-98	Sep-01	\$13,110,000	\$249,988	\$13,359,988	\$27,091	\$27,091
Confirmation #12 Accurate Engineering	Credit	Oct-98	Oct-01	\$5,000,000	\$73,973	\$5,073,973	\$12,347	\$12,347
Confirmation #13 The Terraces/Park Marino	Credit	Oct-98	Oct-01	\$8,000,000	\$131,507	\$8,131,507	\$26,111	\$26,111
Confirmation #14 Santa Paula (Water Supply)	Credit	Nov-98	Nov-01	\$24,500,000	\$467,178	\$24,967,178	\$12,067	\$12,067
Confirmation #15 Mission Viejo	Credit	May-99	May-06	\$31,100,000	\$2,177,853	\$33,277,853	\$24,265	\$24,265
Confirmation #16 City of Fillmore	Credit	Mar-99	Jun-02	\$7,345,000	\$137,643	\$7,482,643	\$0	\$0
Confirmation #17 City of Ontario	Credit	Mar-99	Mar-03	\$8,270,000	\$152,259	\$8,422,259	\$8,843	\$8,843
Confirmation #18 City of Ontario	Credit	Mar-99	Mar-03	\$6,670,000	\$120,609	\$6,790,609	\$6,791	\$6,791
Confirmation #19 Watt Four	Credit	May-99	May-02	\$2,750,000	\$46,109	\$2,796,109	\$0	\$0
Confirmation #20 Evergreen	Credit	Jun-99	Jun-02	\$2,525,000	\$37,357	\$2,562,357	\$3,844	\$3,844
Confirmation #23 Inland	Credit	Jun-99	Jun-02	\$44,485,000	\$2,925,042	\$47,410,042	\$0	\$0
SUBTOTAL				\$195,350,000	\$7,215,034	\$202,565,034	\$229,034	\$355,961
TOTAL:				\$647,284,121	\$18,011,165	\$665,295,286	\$1,291,912	\$3,948,094

CalSTRS CREDIT ENHANCEMENT PROGRAM
BANK EXPOSURE
PROGRAM SUMMARY AS OF JUNE 4, 1999

Deal	Commitment	Interest	Total	Portfolio Percentage
PARTNER INSTITUTION				
Port of Long Beach				
Canadian Imperial Bank of Commerce (CIBC)	\$75,000,000	\$0	\$75,000,000	11.59%
Buck Research Center on Aging (CIBC)	\$27,500,000	\$397,808	\$27,897,808	4.25%
USA Waste Industries Bank of California	\$9,764,121	\$0	\$9,764,121	1.51%
San Diego Unified Port District (CIBC)	\$35,000,000	\$1,365,243	\$36,365,243	5.41%
San Diego Unified Port District (CIBC)	\$15,000,000	\$585,104	\$15,585,104	2.32%
Pasadena Parking Authority (CIBC)	\$9,000,000	\$693,750	\$9,693,750	1.39%
Pasadena Rose Bowl (CIBC)	\$15,600,000	\$276,956	\$15,876,956	2.41%
CHFA 1998 Series M Bank of America	\$9,125,000	\$707,188	\$9,832,188	1.41%
CHFA 1998 Series P Bank of America	\$5,000,000	\$387,500	\$5,387,500	0.77%
CHFA 1998 Series T Bank of America	\$25,000,000	\$1,937,500	\$26,937,500	3.86%
TOTAL - PARTNER INSTITUTION	\$225,989,121	\$6,351,048	\$232,340,169	34.91%
DIRECT FINANCIAL INSTITUTION EXPOSURE				
MBIA	\$114,500,000	\$1,693,973	\$116,193,973	17.69%
Union Bank of California, N.A.	\$170,550,000	\$6,956,623	\$177,506,623	26.35%
Sanwa Bank of California	\$25,385,000	\$443,523	\$25,828,523	3.92%
Tokai Bank	\$17,680,000	\$689,643	\$18,369,643	2.73%
City National Bank	\$16,625,000	\$261,649	\$16,886,649	2.57%
Bank of America	\$15,400,000	\$344,285	\$15,744,285	2.38%
Wells Fargo Bank	\$9,520,000	\$210,332	\$9,730,332	1.47%
General Bank	\$8,600,000	\$229,727	\$8,829,727	1.33%
US Bank of California	\$6,800,000	\$78,247	\$6,878,247	1.05%
Bank of Nova Scotia	\$6,420,000	\$143,527	\$6,563,527	0.99%
Hibernia National Bank	\$5,410,000	\$120,947	\$5,530,947	0.84%
Comerica Bank - California	\$4,420,000	\$98,814	\$4,518,814	0.68%
Imperial Bank of California	\$3,700,000	\$76,636	\$3,776,636	0.57%
Pacific Century Bank, N.A.	\$3,600,000	\$53,260	\$3,653,260	0.56%
The Fuji Bank, Limited	\$3,385,000	\$70,111	\$3,455,111	0.52%
First National Bank	\$2,525,000	\$37,357	\$2,562,357	0.39%
Istituto Bancario San Paolo Di Torino	\$2,500,000	\$55,890	\$2,555,890	0.39%
Mellon Bank	\$1,200,000	\$26,827	\$1,226,827	0.19%
Fleet Bank	\$1,020,000	\$22,803	\$1,042,803	0.16%
CoreStates Bank	\$625,000	\$13,973	\$638,973	0.10%
Societe Generale	\$610,000	\$13,637	\$623,637	0.09%
1st Business Bank	\$600,000	\$13,414	\$613,414	0.09%
National Bank of Canada	\$220,000	\$4,918	\$224,918	0.03%
TOTAL - FINANCIAL INSTITUTION	\$421,295,000	#####	\$432,955,117	65.09%
TOTAL EXPOSURE	\$647,284,121	\$18,011,165	\$665,295,286	100.00%